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C O N F I D E N T I A L SECTION 01 OF 03 MANAMA 001700

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TAGS: [ETRD](#) [ECON](#) [EINV](#) [PREL](#) [BEXP](#) [BA](#) [BILAT](#) [ECTRD](#)
SUBJECT: BAHRAINIS TELL COMMERCE DELEGATION THEY ARE
ANXIOUS TO IMPLEMENT, BENEFIT FROM FTA

Classified By: Ambassador William T. Monroe for reasons 1.4 (b) and (d)

Summary

11. (C) Deputy Assistant Secretary of Commerce Vineyard's September 12-14 visit to Bahrain served to celebrate the August 1 implementation of the U.S.-Bahrain Free Trade Agreement (FTA), the first with a Gulf country. Vineyard stated that the agreement enables the bilateral commercial relationship to catch up to the long-standing strategic relationship, noting that two-way trade could exceed \$1 billion for the first time in 2006. Minister of Industry and Commerce Fakhro stressed that King Hamad is fully committed to the FTA and the bilateral relationship. He cautioned that Bahraini firms would have to improve the quality of their products to penetrate the American market, and hoped that U.S. companies investing in Bahrain would share their technology, training, and management expertise. Economic Development Board Deputy CEO Hejres pledged a "fast track, transparent process" for Americans investing in Bahrain. Several interlocutors identified the need for further outreach and education on the FTA so that the benefits of the agreement are spread throughout the business sector. End Summary.

Celebrating the FTA

12. (SBU) Deputy Assistant Secretary of Commerce Holly Vineyard and Commerce Office of the Middle East Desk Officer Carl Oberg, accompanied by the Ambassador and Pol/Econ Chief, met with a range of Bahraini government officials, business leaders, and organizations during a September 12-14 visit to celebrate the August 1 implementation of the U.S.-Bahrain Free Trade Agreement. In all the delegation's meetings, Bahrainis expressed a strong interest in implementing and benefiting from the agreement, but many pointed to a need for Bahrain's private sector to become more pro-active in pursuing business deals with American companies and improving their product quality, packaging, and marketing.

13. (SBU) In the meetings, DAS Vineyard explained that the FTA enables the bilateral commercial relationship to catch up to the long-standing strategic relationship between our two countries. In recognition of Bahrain's importance as the first country in the Gulf with both an FTA (and an AmCham), the newly released 2006 National Export Strategy discusses implementation of the FTA and steps to promote it. The FTA

is an essential building block in realizing the President's vision of a Middle East Free Trade Area by 2013. She noted that bilateral trade could exceed \$1 billion for the first time in 2006. Several organizations, in addition to the AmCham, were in place to assist businesses pursuing opportunities, such as U.S.-Bahrain Joint Business Council (which was launched September 14 in Washington) and the Bahraini FTA Implementation Committee. DAS Vineyard offered the resources of the Department of Commerce, in particular the over 100 Export Assistance Centers in the United States, to help Bahraini trade missions and companies do business with American counterparts.

Bahrain Fully Committed to FTA, Bilateral Relations

14. (C) Minister of Industry and Commerce Hassan Fakhro opened the September 12 meeting with the delegation by emphasizing that King Hamad is fully committed to the FTA and the bilateral relationship with the United States. Reading a statement (that was later issued to the media), he lauded both countries for negotiating, ratifying, and implementing the FTA. He cautioned, however, that Bahraini industries must improve quality standards to meet U.S. requirements and benefit from commercial opportunities. "A lot will depend on the readiness of our private sector to meet the challenges of penetrating the vast, sophisticated U.S. market," he said. Bahraini companies must meet the expectations of their American counterparts, in particular in quality and conforming to standards. He hoped that U.S. companies that decide to invest in Bahrain would be able to share their technology, training, and management expertise. "This should further bolster our status as the industrial and financial

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hub of the region and also spread the benefits of the FTA to the rest of the region and beyond," he concluded.

15. (C) In a September 13 meeting, Bahrain Economic Development Board (EDB) Deputy CEO Zakariya Hejres told the delegation that the FTA should be a role model for the region. The EDB had already begun promoting and marketing the agreement to attract other regional countries to invest in Bahrain. The EDB is also focusing on encouraging U.S. joint ventures in Bahrain. He pledged to provide a "fast track, transparent process" for American investors. In the same meeting, Director of Agreements and Treaties in the Ministry of Cabinet Affairs Jameel Al Alawi said that the FTA is having beneficial impacts inside Bahrain in areas other than trade. For example, it is promoting transparency in government decision-making. He noted that in discussions with colleagues, they agree now on the need for consultations with stake holders on new laws and regulations.

Time for Private Sector Leadership

16. (C) Ministry of Finance Assistant Under Secretary for Economic Activities Mahmoud Al Kooheji told the delegation September 14 that completing the agreement was a major accomplishment, but now it is time for the private sector to take the lead. He indicated that Bahraini business people have failed to take advantage of other trade deals completed by the government, and that the government's role is to push the private sector to take on a sense of ownership. Ministry of Finance Director for Economic Planning Yousef Humood added that Bahrain stresses the positive impact of the FTA on raising standards when discussing the FTA with other GCC countries. Kooheji said that some Saudi companies have expressed an interest in investing in Bahrain to benefit from the tariff advantages granted to Bahraini exports under the agreement.

Requests for Technical Assistance

¶7. (C) President of Ports and Customs Shaikh Daij bin Salman Al Khalifa committed the Customs Department to full implementation of the FTA, saying Customs will be a facilitator of trade. He expressed his appreciation for earlier training from U.S. Customs, and said he still has much to do to modernize, streamline, and right-size his department. He promised to forward a request for additional technical assistance. He suggested establishing a hotline to link the two customs services to resolve issues quickly, and named Director of Customs Affairs Sami Humaid as the single point of contact for any customs issues related to bilateral trade.

¶8. (C) The EDB's Hejres also requested continued USG technical support. He said that Booz Allen Hamilton (BAH) had drafted a report, funded by MEPI, identifying the sectors of the Bahraini economy that could benefit the most from the FTA. The companies in those sectors now need additional guidance on making contact with American counterparts and marketing and promoting their products. He asked whether the USG could fund additional BAH work to organize sector-specific matchmaking sessions and tutorials on breaking into the American market. DAS Vineyard agreed to consider any Bahraini proposals, but suggested that the FTA Implementation Committee meet with similar groups in Jordan and Singapore to learn about how those countries benefited from their U.S. FTAs. Additionally, USDOC could play a role in organizing video conferences on specific FTA topics with Bahraini business people.

Comment

¶9. (C) The Commerce delegation's visit served to highlight the historic accomplishment of Bahrain being the first Gulf country to implement a free trade agreement with the United States. Bahraini papers covered the visit and the FTA for five days of extensive press play. DAS Vineyard's appearance at the best-attended AmCham event ever held in Bahrain, and at a reception hosted by the Ambassador to celebrate the FTA, added to the positive press coverage. There is tremendous

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interest among Bahraini officials and business people in understanding the agreement and benefiting from it. Coupled with Bahrainis' joy and pride, however, is a feeling that they do not know how to take the first small steps to pursue trade in the U.S. Even those familiar with exporting to Europe express concern that they do not know how to attract the attention of potential American business partners, and that U.S. standards and packaging regimes are different from and more complex than those in Europe. Bahraini business people, with support from their government, can learn from each other and from their counterparts in Jordan and Singapore on how to trade with American companies. But we will also have to remain focused on spreading awareness of the FTA so that the benefits are felt throughout the business community and economy.

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